

# STATE OF UTAH

## FY 2006 BUDGET GUIDELINES HIGHLIGHTS

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### OVERVIEW

- Following an economic downturn that led to significant budget reductions for all state agencies, the economy is showing signs of a slow, modest recovery. However, significant economic uncertainty remains due to the conflict in Iraq. Thus, agency budget requests should include **mandatory items only**, as outlined below. In order to fund mandatory items, additional reductions may be required.

### REQUESTS FOR ADDITIONAL FUNDING

#### *New Program Requests:*

- Funding for new programs (including those proposed through legislation) that require state funds (i.e. General Fund or School Funds) may be requested only if the state funding comes from within existing base funding levels. However, if reductions are identified within an agency to fund a new program, it is possible the reduction may be taken to fund mandatory items and not the planned new program.
- New programs funded from federal funds, dedicated credits, fixed collections, and/or restricted funds must still be submitted to GOPB as a request for a budget increase.

#### *Existing Programs Requests are limited to the following situations:*

##### **1. Mandatory Items**

- Federal mandates or federal match rate changes;
- Caseload growth for federal or state mandated programs;
- Existing critical programs for which an imminent risk to public health and safety exists;
- Replacement of one-time funding for critical ongoing programs; and
- Restoration of GF/SF to programs temporarily funded through restricted funds.

##### **2. Other Items**

- Due to the slow growth rate in state revenue collections, other items may not be requested.
- Merely replacing prior cuts will not automatically be considered mandatory requests.

Although GOPB will give priority to mandatory items, ***it is unlikely that all mandatory items can be funded within available revenue.***

### PRIOR APPROVAL

- GOPB's approval is required before submitting final requests in September for budget increases.

### OTHER CRITICAL AREAS OF GOPB REVIEW FOR FY 2006

- GOPB will closely scrutinize all increases in non-state funds, including federal funds, dedicated credits, fixed collections, and/or restricted funds;
- GOPB will closely scrutinize FTE growth, and;
- GOPB will closely scrutinize nonlapsing fund balances and proposed uses.

### DUE DATES (SEE PAGE 8 FOR THE FULL DUE DATES CALENDAR)

- Preliminary requests - Friday - September 10, 2004
- Final requests - Monday - September 27, 2004

# STATE OF UTAH

## FY 2006 BUDGET GUIDELINES

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### GUIDELINES PURPOSE AND AUTHORITY

#### PURPOSE

These guidelines instruct entities desiring an appropriation of state monies on the procedure for preparing budget requests to the governor. The governor will review the requests, then prepare and submit her budget recommendations to the legislature.

#### AUTHORITY

These guidelines are issued under the authority of and pursuant to Utah Code 63-38-2(7)(a):

*Any entity desiring an appropriation must follow the governor's guidelines.*

For the purpose of preparing the budget the governor shall require from the proper state officials, including public and higher education officials, all heads of executive and administrative departments and state institutions, bureaus, boards, commissions, and agencies expending or supervising the expenditure of the state monies, and all institutions applying for state monies and appropriations, itemized estimates of revenues and expenditures. The governor may also require other information under guidelines and at times as the governor may direct.

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### FY 2006 BASE BUDGET

*Budgets should be built on FY 2005 funding levels adjusted for one-time appropriations.*

The FY 2006 base budget is calculated by starting with the FY 2005 General Fund and school funds appropriations, reducing those amounts for one-time appropriations. This same process is followed for restricted funds and the Transportation Fund. The FY 2006 base budgets for these funds are shown in Tables 1 thru 5.

#### ONE-TIME APPROPRIATIONS

Column b in Tables 1 thru 5 shows the amount for one-time appropriations that must be backed out of FY 2005 appropriations for General Fund, school funds, Transportation Fund, and restricted funds. This column includes funding provided for the one-time employee bonus to be distributed in December 2004.

#### WORKING HOURS

*Base budgets remain the same for*

There are 2,088 working hours in FY 2006, the same number of hours budgeted for in FY 2005. As a result, no base budget adjustment was made for working hours in FY 2006.

*number of working hours.*

*Non-state funds will be used for compensation and benefit increases.*

*No new non-state funded programs without prior approval.*

*Absorb inflation within base budgets.*

*Funding for new programs must come from within existing budgets and receive GOPB approval.*

*IT budget requests must be included in IT Plans.*

## **NON-STATE FUNDS**

Agencies are to reserve a portion of their non-state funds (i.e., federal funds, dedicated credits, fixed collections, and restricted funds) to cover compensation and benefit changes. See the discussion under the heading “Personal Service Increases” for more information.

Agencies may not start or begin participation in non-state funded programs or activities without GOPB approval. Such financing may obligate or commit the state to eventually spend state funds. Requests to enter into such programs must be made using Form 400, *Request for Increase in Funds for FY 2006 Budget*.

## **INFLATION**

Agencies are to fund inflationary increases for FY 2006 within existing budgets.

GOPB may build in appropriate amounts for increases in rates for statewide internal service funds.

## **BASE BUDGET PROGRAM PRIORITIES**

Because of the uncertainty surrounding the economy and Governor Walker’s desire to properly manage government growth, departments should closely examine programs within their base budget for FY 2006.

Any department desiring to create or start a new program or service must propose elimination of an existing program or service, or reduce its base budget to provide funding for the new activity. However, it is possible that identified savings may be used to fund mandatory requests rather than proposed new programs. A Form 400 must be completed for each proposed new program or service.

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## **INFORMATION TECHNOLOGY REQUESTS**

### **IT BUDGET REQUESTS LINKED TO IT PLANS**

Requests for funding of information technology projects must be submitted through the state's chief information officer's (CIO) review process.

For budget year FY 2006, GOPB budget and policy analysts will work closely with the CIO to coordinate the review and approval of IT requests and related requests for funding.

Initial entry of information about IT plans are due to the CIO's section of the Governor's Office of Planning and Budget by **July 1, 2004**. Updates to

agency IT plans, including FY 2006 budget requests, are due to the CIO by **September 10, 2004.**

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## FEDERAL FUNDS

*New federal programs may not be implemented without approval.*

Any agency currently receiving federal aid or planning to receive federal aid in the future must complete federal funds reporting forms (Form 370 - *Federal Assistance Summary* and Form 370A - *Federal Funds Request Summary*) in compliance with HB 231 - *Review and Approval of Federal Monies Received by the State* passed during the 2004 General Session.

Without prior approval from GOPB and, where applicable, the legislature, agencies may not begin a new program or activity with federal aid, particularly if it creates an expectation that the state will maintain or continue this program or its infrastructure when the grant expires or is reduced.

Also, agencies may accept or use federal aid only for programs that are consistent with the needs and goals of the state and its citizens and that are not prohibited by the provisions of state law. For more information on accepting federal aid, see 63-38e-101-204 of the *Utah Code*.

*Federal grants exceeding \$10.0 million require legislative approval during the session.*

Any Federal grant application in excess of \$10.0 million in federal funds, or \$1.0 million in state match, or requiring 11.0 or more additional permanent employees, must be approved by the entire legislature during the general session.

Applications not included in agency budgets must still be submitted to GOPB for review and approval throughout the year. GOPB will work with the LFA to ensure applications are reviewed by Executive Appropriations in a timely manner during the interim.

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## APPROPRIATED LOAN FUNDS

*Agencies must submit loan program data.*

Any agency that manages a loan or grant fund should include estimates for revenue, expenditures, and loan amounts in their budget packages whether or not the funds are appropriated.

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## PERSONAL SERVICES

### VACANCIES AND TURNOVER SAVINGS

Budget for and fund only those vacancies that are likely to be filled in FY 2005 and FY 2006. Do not include contingency positions, i.e., positions that regardless of funding source will only be filled under unusual or unanticipated circumstances. The inclusion of contingency positions could lead to funding reductions through the elimination of those positions by GOPB or the LFA.

GOPB will not recommend positions that are not fully funded.

*Turnover savings must be budgeted.*

Agencies should budget turnover savings for each program. Turnover savings reflect the amount of money saved when a budgeted position remains unfilled or is underfilled. Turnover savings should be shown as a negative dollar amount in each program's personal services budget.

## **PERSONAL SERVICES INCREASES**

*Federal funds, dedicated credits, etc., will be used to fund compensation.*

Agencies should submit budget requests based upon FY 2005 benefit and salary rates excluding the one-time bonus to be distributed in December 2004.

Funding sources for the recommended compensation package and changes in benefit rates will be determined from the information included on Forms 334 and 335 (Detail of One Percent Change). The following should be considered when completing these forms:

1. Compensation and benefit rate changes should be funded using the same funding ratio as the base budget for each program (taking into account pass-through federal and other funding). Programs with non-state funds (e.g., dedicated credits, restricted funds, federal funds, mineral lease revenue, and fixed collections) need to set aside revenue from these sources to cover compensation and benefit changes.
2. If a program has insufficient non-state funding to cover its proportional share of personal services increases, it should consider raising fees, creating greater efficiencies, or reducing services to cover compensation cost increases. Typically, General Fund will not be used to replace or supplement other funding sources.

GOPB's recommended compensation package will include a turnover factor.

## **FTE CALCULATIONS**

*Follow standard rules to report FTE counts.*

Authorized and request year full-time equivalent (FTE) counts should be comparable to actual year counts. Actual year FTE will be calculated by the Division of Finance for FY 2004 by dividing the total number of hours your agency paid by 2,096.

An FTE, by definition, equals the number of regular hours available for work during a given year. For most years this equals 2,080 hours. For FY 2004 this equals 2,096 hours, for FY 2005 and FY 2006 this equals 2,088 hours.

When calculating FTE for your agency for FY 2006 (and for entering FTE into Budget Prep), use the following rules:

1. Include all ***permanent positions***, including seasonal, in FTE counts:
  - ▶ A full-time, year-round position is equivalent to 1.0 FTE.

- ▶ For part-time, year-round positions, divide the annual hours worked by 2,088. A person budgeted to work 15 hours per week year-round is .375 FTE, or  $15 \text{ (hours)} * 52 \text{ (weeks)} / 2,088$ .
  - ▶ For full-time, part-year positions, divide the annual hours worked by 2,088. A person budgeted for six months at 40 hours per week is .50 FTE, or  $40 \text{ (hours)} * 26 \text{ (weeks)} / 2,088$ .
  - ▶ Budgeted overtime hours divided by 2,088. An agency budgeting for 10,000 overtime hours should include 4.8 FTE, or  $10,000 \text{ (hours)} / 2,088$ .
2. ***Do not*** include the following in FTE counts:
- ▶ Board and commission members
  - ▶ Legislators
  - ▶ Temporary positions (AJ positions that are nine months or less)
  - ▶ Contracted positions
  - ▶ Overtime funded from turnover savings

When determining FTE for your agency for FY 2005 (and for entering into Budget Prep), use these same rules as FY 2006 outlined above.

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## LEGISLATION

### BILLS

*Submit all known legislation to GOPB with the budget package.*

Agencies must submit a summary of any upcoming legislation on Form 105 by **September 27, 2004**. This includes legislation with and without a fiscal impact and bills proposed by others outside your agency that you are aware of. The summary will be reviewed by the lieutenant governor, governor's general counsel, and GOPB. If drafted, a copy of the legislation should be included with the summary.

The governor's budget recommendations will include funding for legislation that she supports. Only legislation that has been reviewed in the budget process will be considered for inclusion in the budget.

### INTENT STATEMENTS

*Submit intent language requests to GOPB.*

Agencies desiring legislative intent statements must submit them on Form 104 for approval along with their budget requests by **September 27, 2004**.

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## PERFORMANCE MEASURES

*Additional emphasis on performance measures.*

Agencies are required to provide an inventory of existing performance measures used to evaluate the effectiveness and efficiency of each program. Beginning with the FY 2006 budget hearings before appropriations subcommittees, the LFA will use performance measures submitted with budget requests in its written budget presentations. Formal performance measures may be written into the appropriations acts for FY 2006. Please use Form 361 to list the performance measures used by each of agency.

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## VEHICLE REQUESTS

*Additional vehicles must be requested through the budget process.*

Agencies wishing to increase the number of vehicles in their fleet must do so through the budget process. This can be done by requesting intent language (Form 104), by requesting nonlapsing spending authority (Form 210), or by requesting new ongoing funding (Form 400). Regardless of the funding source, the agency should work with GOPB and the LFA to accurately reflect the anticipated number of vehicles in the LFA report to the appropriations subcommittee.

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## REQUIRED BUDGET FORMS AND REPORTS

*Specific forms and reports must be submitted to GOPB.*

The required forms and Budget Prep reports for Budget Prep users are shown in Appendix One. ***It is suggested that agencies submit Budget Prep files electronically to GOPB for review and approval before printing and submitting hard copies of reports.*** The required forms for non-Budget Prep users are shown in Appendix Two.

*Review of cost drivers impacting budgets.*

All agencies should use Form 102 to provide a one page executive summary of the significant cost drivers impacting agency budgets. This form is intended to provide GOPB and the legislature with a broad understanding of current and future budget concerns and impacts. Responses ***should not*** justify building block and/or supplemental requests, but should discuss agencywide issues will affect current and future budgets.

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## DEADLINES

Attached is a planning and budget calendar for the FY 2006 budget cycle. Deadlines for the submission of budget data begin **September 10, 2004** and continue through **September 27, 2004**. Required data must be submitted on or before the specified due date.

Agencies not using Budget Prep are required to submit electronic data in a Budget Prep-compatible format. That data is due on or before **September 27, 2004**.

Task forces, commissions, and study groups whose recommendations fiscally impact the state should submit preliminary recommendations to GOPB by **September 10, 2004**.

## FY 2006 PLANNING AND BUDGET CALENDAR

### - 2004 -

July 1	State Agency FY04 IT Plan and Preliminary FY05 IT Plan submitted to CIO
August 31	DAS submit completed ISF forms to Division of Finance for review
September 7	Statewide ISF Rate Approval Meeting (proposed changes)
<b>September 10</b>	<b>Preliminary Requests Forms 400 (Bldg. Blk) and 600 (Supplmntl) Due to</b>
September 10	Agency Budget Requests for FY05 IT Plans Due to GOPB and CIO
September 15	Corrections, Human Services, Natural Resources, Agriculture, and Public Ed submit completed ISF forms to Division of Finance for review
<b>September 27</b>	<b>Final Budget Requests Due to GOPB Budget Analyst</b>
September 27	Summary of Upcoming Legislation due
September 27	Performance Measures Inventory due
September 27	Form 102 - Summary of Significant Cost Drivers Affecting Budgets due
October 5	Final ISF Rate Committee Meeting (final rates)
October 6, 7	Building Board Hearings on Capital Development Projects
October 21	Building Board Prioritization and Recommendations
November 1 - 10	Governor's Budget Briefings (tentative dates)
December 1	Last Day for Governmental Entities to File Bills
Mid-December	Governor's Recommendations Released
December 21	Executive Appropriations sets Legislative Priorities

### - 2005 -

January 17	Legislative Session Begins
March 2	Legislative Session Ends